

NHID E-NEWS

Issue 11
December 2006

COMMENTS FROM THE COMMISSIONER'S OFFICE

Update on the NH Small Employer Reinsurance Pool

New Hampshire's Small Employer Reinsurance Pool has been up and running since January 1st. The General Court created the pool during the 2005 session via SB 125. Health insurance carriers have the opportunity to cede risks underwritten in the small employer group health insurance market to the reinsurance pool.

To date, two carriers have ceded approximately 900 lives to the pool. The pool has collected approximately \$6 million in premium and has incurred roughly \$12 million in claims. This shortfall is funded through assessments against all carriers participating in NH's health insurance market place.

Even though the carrier only uses these health statements to decide whether to cede risks to the pool, it remains vitally important that all insureds take the time to ensure that these health statements are accurately completed.

Pool transactions take place behind-the-scenes. The health insurance carrier underwriting the ceded risk remains responsible for adjudicating claims in accordance with the terms of the policy. Individuals, or groups, ceded to the pool do not even know that they've been ceded.

At the time of enrollment, a carrier has the right to request each insured to complete a standardized health statement. Carriers use the information on these health statements to decide

whether to cede risks to the pool. Health statements are used for no other purpose, e.g. they are not used to establish the premium rate charged to either the group or the individual. Even though the carrier only uses these health statements to decide whether to cede risks to the pool, it remains vitally important that all insureds take the time to ensure that these health statements are accurately completed. Fraudulent omissions may result in coverage being rescinded, or even criminal penalties.

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ACA ASSURANCE PLACED IN REHABILITATION

Recently, the New Hampshire Insurance Department and the Board of Directors of ACA Assurance jointly announced that ACA Assurance has temporarily been placed in rehabilitation. ACA Assurance is a Manchester, New Hampshire-based fraternal benefit society established in 1896 with the mission of promoting the union of persons of French Catholic ancestry in North America and the preservation of the French language and culture. The Society provides insurance benefits to its members. The purpose of the rehabilitation is to assist the Society in getting its insurance operations back onto a strong footing. This will involve a quick, but intensive review of the company's books and operations, as well as the development of a plan for moving forward. The Department has asked the Board of Directors to remain in an advisory capacity during this period.

ACA Assurance will remain in operation during the rehabilitation and will continue to underwrite and issue policies and pay claims. The New Hampshire Insurance Department will be in contact with the company's other U.S. and Canadian regulators to explain the purpose of the rehabilitation and to seek their cooperation in getting the Society back on a strong footing.

ACA Assurance has been struggling, in recent months, with some accounting errors and with excessive operating expenses that will not be sustainable in the long run. The Department's goal for the rehabilitation is to quickly analyze the operations and make the necessary adjustments to assure the continued stability of the Society. ACA is a highly-valued New Hampshire institution with a long history and a large membership base in both the US and Canada.

The Board of Directors supports the rehab and is committed to maintaining ACA Assurance as a strong fraternal benefit society.

WORKERS' COMPENSATION RESIDUAL CARRIER CONTRACTS AWARDED BY COMMISSIONER

Earlier this year the Department, with the administrative assistance of the National Council on Compensation Insurance (NCCI), processed bids for insurance companies to be Servicing Carriers for the New Hampshire Workers' Compensation Residual Market during the 3-year period, 2007 through 2009. Six eligible insurers submitted bids. Based on an in-depth analysis and scoring of each bid by NCCI, and after review and recommendations by Insurance Department staff, the Commissioner determined that the New Hampshire Assigned Risk Market for Workers' Compensation would best be served by awarding contracts to three insurers. Liberty Mutual and St. Paul-Travelers, each receiving a 40% quota, and Acadia, receiving the remaining 20% share, are the three insurers.

Four insurers will remain as direct assignment carriers for the Assigned Risk Market for the upcoming year. They are: American Zurich, Continental Casualty, Hartford Underwriters and Cincinnati.

COMMISSIONER SEVIGNY ISSUES ORDER CONCERNING THE NEW HAMPSHIRE MEDICAL MALPRACTICE INSURANCE MARKET

Commissioner Sevigny, after reviewing materials and testimony presented at a Hearing held at the offices of the Insurance Department on October 3, determined that there continues to be substantial evidence in support of a conclusion that the medical malpractice insurance market for physicians, surgeons and hospitals is not a competitive market. The required Order was issued on October 13, 2006 and will remain in effect for one year.

During this time period any rate filing submitted by insurers covering physicians, surgeons or hospitals, will require the Commissioner's approval before the insurer can begin using the new rates.

The Commissioner concluded that this information continued to support the findings reached in 2005 and therefore his previous Order should be renewed.

At the Hearing, as well as during the open comment period following, the only testimony submitted for consideration was by the NHID Actuary. His testimony focused on updated data and information related to evidence concerning market concentration, rate change activity and financial results presented at a similar Hearing held in 2005. The Commissioner concluded that this information continued to support the findings reached in 2005 and therefore his previous Order should be renewed.

NHID OBTAINS APPROVAL TO ADOPT A NEW RULE, INS 3800, MEDICAL PROFESSIONAL LIABILITY INSURANCE

The NHID recently received notice that its final proposal for Ins 3800 was approved for use by JLCAR. Ins 3800 was promulgated to provide the rules and forms that are to be followed in the reporting of detailed claim information applicable to medical professional liability insurance. Provisions, outlined in RSA 519-B: 11 and 519-B: 12, require the Commissioner to report information related to medical injury liability claim activity on a regular basis to the Medical Malpractice Panel and Insurance Oversight Committee to determine the effectiveness of mandatory screening panels for medical injury claims, established in 2005 by the Legislature.

Ins 3800 was officially adopted December 1, 2006. Basically, each insurer, as defined in the Rule, providing medical professional liability insurance coverage to a New Hampshire health care provider, and every health care provider who maintains professional liability coverage through a plan of self insurance, is expected to submit to the Commissioner a report of all open and/or closed claims made against any New Hampshire insureds during the preceding 3 month period. The Rule and the accompanying reporting form and instructions will be posted on the NHID website, prior to that time, along with contact and other useful information.

NCCI WORKERS' COMPENSATION VOLUNTARY LOSS COST AND ASSIGNED RISK RATE FILING UNDER REVIEW

The NHID has approved a New Hampshire Voluntary Loss Cost and Assigned Risk Rate Filing, submitted by the National Council on Compensation Insurance (NCCI) on behalf of Workers' Compensation insurers, with a proposed effective date of January 1, 2007. The voluntary market loss cost filing proposed an overall pure premium level decrease of 0.9% for the industrial classifications. The assigned risk rate filing proposed an overall rate level decrease of 0.6%.

A public hearing was held at the offices of the Department on October 20, 2006. Representatives from NCCI discussed the filing and answered questions from the Commissioner and other Department staff. Several items were identified that required NCCI to provide additional supporting data and information to the Commissioner before a decision was reached. The record was kept open for two weeks to allow NCCI sufficient time to prepare their response and to allow other interested parties to offer testimony if they desired.

ENFORCEMENT ACTIONS

Re: Willson, Paul D

Consent Order and Agreement Docket No.
NS No. 06-002-EP
Misrepresentation of variable annuity contract provisions to the consumer
Date of Order and Agreement: July 19, 2006
Action and Penalty:
Administrative penalty \$1,000
Recovery of \$247,998.63 – consumer's initial investment

Re: Mikeska, Daniel E

Consent Order and Agreement Docket No.
INS No. 06-022-EP
Failed to report administrative action taken by another state insurance department.
Date of order: 7/21/06
Action and Penalty:
Administrative penalty \$500

Re: Brooks, Patricia A

Consent Order and Agreement Docket No.
INS No. 06-023-EP
Misstatement on license application. Date of Order: 8/8/06
Action and Penalty:
Administrative penalty \$500

Re: Schelle, Richard Andrew

Consent Order and Agreement Docket No.
INS No. 06-032-EP
Date of Order and Agreement: October 4, 2006
Action and Penalty: License issued on a probationary status for a period of 365 days.

Re: Bean, Andrew

Consent Order and Agreement Docket No. N/A
Adjuster license denied based on

criminal history/record.
Penalty: License denied.
Action Date: 8/28/2006

Re: US Insurance Services Inc.

Consent Order and Agreement Docket No.
INS No. 06-021-EP
Unlicensed insurance activity.
Date of Order and Agreement: August 7, 2006
Action and Penalty:
Administrative penalty \$1,000



SPEAKING OF INSURANCE!

Engagements you may have missed.....

Charles Vanasdalan, Market Conduct Examiner participated on a panel for a session entitled "Market Conduct Annual Statement: How Does It Work?" at the IRES Career Development Conference in Chicago on August 7, 2006.

Workers' Compensation Analyst Lorette Gendron spoke about workers' compensation issues at the annual meeting of the NH Farm Federation Bureau on August 26, 2006.

Fraud Prosecutor Catherine Tucker addressed the NH Insurance Women's League regarding insurance fraud on September 11, 2006.

Health Policy Analyst Leslie Ludtke and Health Statistician Tyler Brannen made a presentation on the NHID Health Cost Website to the Small Group Health Insurance Reform Oversight Committee on August 18, 2006; and to the BIA Summit meeting held on September 12, 2006.

Catherine Tucker, Fraud Prosecutor addressed the National Insurance Crime Bureau on prosecuting fraud at a meeting held at the Department on September 15, 2006.

Market Conduct Analyst Alain Couture made a presentation about health insurance product options to the Tenants Association at the NH Technical Institute at Pease Trade Port on September 19, 2006.

Commissioner Roger Sevigny and Fraud Prosecutor Catherine Tucker met with NH Labor Department employees and representatives from trade unions and five insurance carriers to discuss strategy on workers' comp fraud at the Labor Department on September 26, 2006.

Commissioner Roger Sevigny was the keynote speaker at the September 27-29, 2006 meeting of the National Alliance of Life Companies in Charleston, SC.

Fraud Prosecutor Catherine Tucker addressed the National Council of Compensation Insurance Forum on all types of workers' compensation fraud at the September 29, 2006 meeting at the Grappone Center.

Commissioner Roger Sevigny addressed a class at Southern NH University about insurance ethics awareness on October 5, 2006.

Commissioner Sevigny participated in a debate on state vs. federal regulation held at the American College Center for Ethics in Financial Services held in Philadelphia on October 10, 2006.

Clinton Lane, Licensing Supervisor, participated on a panel at the Securities and Insurance Licensing Administrators (SILA) annual education conference in Orlando, FL, October 16-18, 2006.

Commissioner Sevigny was the keynote speaker at the IIANH meeting held at the Wentworth by the Sea on October 16, 2006.

SPEAKING OF INSURANCE CONT.....

Consumer LAH Claims Clerk Pauline Lamy participated at the Hackett Hill Healthcare Senior Resource Fair in Manchester on October 18, 2006.

Mary Ellen Sasseville, Consumer P&C Claims Officer, spoke at the Dover Senior Citizen Center about automobile insurance on October 23, 2006.

Legal Coordinator Deborah O'Loughlin attended the annual meeting of the NH Insurance Guaranty Association in Woodstock, Vermont on October 24, 2006.

Denise Lamy, P&C Compliance Manager, presented an overview of reported loss data from the May 2006 flooding to the Governor's Flood Recovery Committee at Johnson Hall on October 26, 2006.

Commissioner Sevigny participated on a panel discussing insurance company liquidations and guaranty funds at the National Council of Insurance Guaranty Funds and International Association of Insurance Receivers Conference in Salt Lake City on November 1-2, 2006.



Joelien Atwater, Health Insurance Market Conduct Examiner-in-Charge, at the request of the NH Medical Society spoke about procedures associated with provider complaints and prompt pay at a meeting at the Wentworth Douglas Hospital on November 15, 2006.

Consumer P&C Claims Officer Mary Ellen Sasseville addressed the Senior Citizen Center in Laconia regarding automobile insurance on November 21, 2006.

Commissioner Sevigny addressed regulatory compliance officers of MetLife in New York on December 7th; members of PCIAA on December 9th and AIA on December 10th in San Antonio.

Engagements to catch.....

January 20, 2007 - Mary Ellen Sasseville, Consumer P&C Claims Officer will make a presentation on "Automobile Insurance for Teens" as part of the NH Jump Start Coalition student Financial Fitness Fair to be held at Southern NH University in Manchester.

DEPARTMENT PUBLISHES TWO BULLETINS

The Department recently published two bulletins, which significantly impact insurance producers. Both bulletins are announcing changes to the continuing education (CE) requirements for resident producers. The requirements for adjusters have not changed.

Beginning with all resident producer license renewals having an expiration date of April 30, 2007, or later, the CE requirement of 30 hours per renewal cycle will change to 24 hours. Of these 24 hours, at least 3 but not more than 10 hours must be in courses approved for ethics credit. The member states of the National Association of Insurance Commissioners (NAIC) have established this as the uniform standard for adoption by all states. NH actively participates in and is committed to the concept of the uniform licensing standard. All CE requirements must be completed 60 days prior to the expiration date of the license. Detailed information is contained in a Bulletin dated October 11, 2006, Docket No.: INS No. 06-043AB.

Additionally, the Department has established an additional CE requirement regarding Flood Insurance training. Section 207 of the Federal Flood Insurance Reform Act of 2004 established minimum training requirements for producers selling flood insurance through the National Flood Insurance Program (NFIP). The NFIP is administered by the Federal Emergency Management Agency, or "FEMA". In the interest of consumer protection, the Department believes that this requirement should be extended to all licensed producers with property, casualty, or personal lines of authority. These producers must complete an approved course related to the NFIP, which will provide three (3) hours of CE credit. This requirement must be met no later than December 31, 2007. The Department also suggests that it would be prudent for producers to advise all prospective homeowner insurance applicants and existing policyholders of the availability of Flood Insurance through the NFIP. Detailed information is contained in a Bulletin dated October 2, 2006, Docket No.: INS No. 06-044-AB.

INSURANCE DEPARTMENT ASSISTS HAIL DAMAGE VICTIMS

Hail storms in recent months in the southeast section of the state resulted in widespread damage to automobiles, buildings, and other property. The Insurance Department was instrumental in assisting the public with their insurance claims.

Personnel in the Department's Consumer Services Division assisted over 150 consumers who contacted the department for help and information about hail loss claims. The Department also worked with District 13 State Representative Lee Quandt of Exeter to coordinate assistance for Representative Quandt's constituents, and other's affected by the hailstorm in the Exeter and seacoast areas of the state.

The Department's Consumer Services Property and Casualty staff contacted the NH Department of Safety - Division of Motor Vehicles – and worked with DMV employees to clarify motor vehicle salvage title requirements in automobile total loss circumstances. As a result, many insureds were able to retain possession and ownership of their vehicles despite their vehicles being declared total losses due to hail damage to the vehicle's body panels and windows.

In one instance an elderly gentleman from the Exeter area was assisted by Consumer Services Officer Mary Ellen Sasseville with his roof claim. Mary Ellen was able to obtain full payment for repairs to his roof after this gentleman first received a response from the carrier for approximately one third of the repair costs. Mary Ellen continues to assist him with a related claim.

In another case, Consumer Services staff assisted an Exeter family in obtaining a revised evaluation of the cost of repairing hail damage to the roof of their home. Adjusters had claimed the 8 year old roof was "beyond its intended life span" when it was damaged. In addition, Department Consumer Services personnel worked with other Exeter residents to obtain vinyl siding replacements, obtain the appropriate title to their vehicles, and obtain fair valuation of damage to their automobiles.

The Department is very pleased that we were able to facilitate communication between carriers, insureds, and other NH state agencies, and to provide individual resolutions to consumers who contacted the Department seeking assistance.

RULEMAKING – 2006

The New Hampshire Insurance Department has adopted or currently has the following rulemaking in progress. For additional information refer to the NHID Website: www.state.nh.us/insurance

Ins 400 Filings for Life, Accident and Health Insurance

Adopted 07/13/06; Effective 09/18/06

Ins 600 Credit for Reinsurance

This proceeding readopts Ins 600 to reflect the latest NAIC model.

Hearing Date: 12/19/06

Ins 1000 Claim Settlement

This proceeding establishes Ins 1002 Property & Casualty Claim Settlement.

Hearing Date: 12/27/06

Ins 1100 Confidentiality of HIV Tests

This proceeding readopts Ins 1100.

Hearing Date: 01/05/07

Ins 1400 Automobile Insurance (municipal workers)

Adopted 04/17/06; Effective 04/17/06

Ins 1400 Automobile Insurance (private passenger)

This proceeding is intended to reiterate the NHID position on what constitutes a private passenger automobile.

Hearing Date: 01/05/07

Ins 1901 Minimum Standards for Accident and Health Insurance

Adopted 04/10/06; Effective 04/17/06

Ins 1903 Medicare Supplement Insurance

Adopted 01/23/06; Effective 02/01/06

Ins 1904 Group Coordination of Benefits

Adopted 01/23/06; Effective 02/01/06

Ins 1906 Discontinuance and Replacement of Group Accident and Health Insurance

Adopted 05/30/06; Effective 06/12/06

Ins 1907 Nondiscrimination in Health Insurance Coverage in the Group Market

Adopted 04/10/06; Effective 04/17/06

Ins 2703 External Review

This proceeding readopts Ins 2703 with amendments.

Hearing Date: 01/22/07

Ins 3700 Standards for Safeguarding Customer Information

This proceeding adds section Ins 3702 and delineates breach notification requirements.

Hearing Date: 12/27/06

Ins 3800 Medical Professional Liability Insurance

Adopted 10/30/06; Effective 12/01/06

2007 LEGISLATIVE PROPOSALS

The Department has introduced the following proposals for the 2007 Session:

A life, accident and health bill:

- o Amending required life insurance policy contract provisions so that an endorsed application that is currently made part of the life contract is also applicable to individual annuity policies.
- o Amendments to group health insurance to delineate and clarify coverage continuation and termination provisions.
- o Requiring that group health carriers file grievance procedures with the Department annually.
- o Requiring health carriers to provide written appeal determinations to policyholders.

A licensing and fees bill that:

- o Creates a specific fees section for producers;
- o Creates a specific fees section for adjusters;
- o Clarifies consultant licensing
- o Deletes redundant requirements
- o Requires competent company management

A bill establishing a law to regulate Discount Medical Plans

A bill updating RSA 402-F Reinsurance Intermediaries with the latest NAIC model

A fraud bill strengthening fraud plan reporting requirements and establishing criteria for service of process



2006 COMPANY CHANGES

COMPANY NAME CHANGES:

OLD NAME	NEW NAME	EFFECTIVE
Business Men's Assur. Co of America	Liberty Life Ins Co.	06/30/06
Hart Life Insurance Co	Ace Life Ins Co.	05/11/06
International Business & Mercantile Reassurance Company	Old Republic General Insurance Corp	07/01/06
NGL Amer. Life Ins. Co.	Settlers Life Ins Co.	07/01/06
Bankers Multiple Line Ins. Co.	R.V.I. National Ins Co.	06/16/06

NEWLY LICENSED COMPANIES:

COMPANY NAME	TYPE OF LICENSE	EFFECTIVE
Securian Life Ins Co.	Life & Health	08/28/06
Roche Surety & Casualty Co	Property & Casualty	07/21/06
Merchants National Ins Co.	Property & Casualty	09/26/06

AMENDED LICENSES:

COMPANY NAME	LINE OF BUSINESS	EFFECTIVE
Indianapolis Life Ins. Co.	removed the restriction of servicing existing business only	08/18/06
Toyota Motor Ins. Co.	Added the restriction of servicing existing business only	08/21/06

COMPANY MERGERS:

OLD NAME	WITH AND INTO	EFFECTIVE
Liberty Life Insurance Co.	Business Mens Assur. Co of Amer	06/30/06
Paragon Life Insurance Co	Metropolitan Life Ins Co	05/01/06

COMPANY REDOMESTICATIONS:

COMPANY NAME	FROM & TO	EFFECTIVE
Triton Insurance Company	Missouri to Texas	03/28/06
Lawyers Title Ins Co.	Virginia to Nebraska	06/16/06
Commonwealth Land Title Ins Co.	Pennsylvania to Nebraska	05/30/06
Transnation Title Ins Co.	Arizona to Nebraska	05/31/06
Guaranty National Insurance Co.	Connecticut to Delaware	05/25/06
Security Insurance Co of Hartford	Connecticut to Delaware	05/25/06
R.V.I. National Insurance Co.	Illinois to Connecticut	06/16/06

2006 COMPANY CHANGES CONT.....

RE-LICENSE FOLLOWING ACQUISITIONS:

<u>COMPANY NAME</u>	<u>EFFECTIVE</u>
Chesapeake Life Insurance Co	04/05/06
The Mega Life & Health Insurance Co.	04/05/06
Hart Life Insurance Co.	04/28/06
PacifiCare Life and Health Insurance Co.	12/20/05
Jefferson-Pilot Life Insurance Co.	04/03/06
Jefferson Pilot Financial Insurance Co.	04/03/06
Jefferson Pilot LifeAmerica Insurance Co.	04/03/06
Perico Life Insurance Company f/k/a MIC Life Insurance Co	12/13/05
Wesco Insurance Company	06/01/06

NHID STAFF NEWS

Introducing New Hires:

The following individuals joined the Department over the last few months. We welcome them to their new "home".

Tyler Brannen, Health Policy Statistician
Deborah Stone, P&C Assistant Actuary

Position Changes:

Deirdre Fitzpatrick, Receptionist to Licensing

Retired:

Robert Stanton, Director of Fraud Unit retired in June after 17 years service at the Department.



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